

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. **Patron** Timothy D. Hugo

2. **Bill Number** HB 2607

3. **Committee** Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Communications Sales and Use Tax;
Distributions to the Town of Clifton

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the monthly distribution paid to the Town of Clifton from the Communications Sales and Use Tax Trust Fund, beginning July 1, 2009. The amount paid to the Town of Clifton would be calculated as if the Auditor of Public Accounts had certified that the town had received an additional \$3,000 of telecommunications and television cable funds in Fiscal Year 2006. The additional funds would be subtracted from the distribution otherwise due to Fairfax County.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7. **Budget amendment necessary:** No.

8. Fiscal implications:

Administrative Costs

TAX would not incur any costs in the implementation of this bill.

Revenue Impact

This bill would have no impact on state revenues or on the total amount of Communications Sales and Use Tax distributed. The Town of Clifton would receive an increase in its distribution from the Fund of approximately 0.00066 percent. Fairfax County would experience a decrease in its distributions from the Fund to account for the increased distribution to the Town of Clifton. No other locality would experience a change in distributions.

9. Specific agency or political subdivisions affected:

All localities

TAX

10. Technical amendment necessary: No.

11. Other comments:

Background

2006 House Bill 568 (Acts of Assembly 2006, Chapter 780) replaced many of the state and local communications taxes and fees with a centrally administered Communications Sales and Use Tax and a uniform statewide E-911 Tax on landline telephone service beginning January 1, 2007. Additionally, House Bill 568 imposed a public rights-of-way use fee on cable television providers beginning January 1, 2007.

Under House Bill 568, revenue from the Communications Sales and Use Tax, the Landline E-911 Tax and the Cable Television Rights-of-Way Fee (the "Communications Taxes") is collected and remitted monthly by communications services providers to TAX and deposited into a non-reverting fund known as the Communications Sales and Use Tax Trust Fund (the "Fund"). After transferring moneys from the Fund to TAX to pay for the direct costs of administering the Communications Taxes, the moneys in the Fund are allocated and distributed to localities after payment (1) to the Department of Deaf and Hard-of-Hearing to fund the telephone relay service center and (2) any franchise fee amount due to localities in accordance with any cable television franchise agreements in effect as of January 1, 2007. Each locality's share of the net revenue is distributed as soon as practicable after the end of the month based on the locality's share of total revenues received from the following taxes and fees in Fiscal Year 2006 from local tax rates adopted on or before January 1, 2006:

- Local consumer utility tax on landline and wireless telephone service;
- Local E-911 tax on landline telephone service;
- The portion of the local BPOL tax on public service companies exceeding .5% currently billed to customers in some grandfathered localities;
- Cable television franchise fees;
- Video programming excise tax on cable television services; and
- Consumer utility tax on cable television.

House Bill 568 required the Auditor of Public Accounts ("APA") to determine the amount of revenues received by every locality for Fiscal Year 2006, at rates adopted on or before January 1, 2006, for each of these taxes and fees. Local governments and service providers were required to cooperate with the APA and provide requested information.

Proposal

This bill would increase the monthly distribution paid to the Town of Clifton from the Communications Sales and Use Tax Trust Fund, beginning July 1, 2009. The amount

paid to the Town of Clifton would be calculated as if the Auditor of Public Accounts had certified that the town had received an additional \$3,000 of telecommunications and television cable funds in Fiscal Year 2006. The additional funds would be subtracted from the distribution otherwise due to Fairfax County.

In Fiscal Year 2006, the Town of Clifton only imposed a cable franchise fee and reported receiving \$3,315 to the Auditor of Public Accounts. The Town of Clifton is requesting distributions to account for the local consumer utility tax revenues received by Fairfax County from Clifton residents.

This bill would also make a technical change to simplify the state law that modifies the Fund distribution percentages from those originally determined by the Auditor of Public Accounts.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 891 would allow localities to report to TAX any telecommunications or television cable funds collected in Fiscal Year 2006 from repealed local communications taxes and fees that were not submitted, or were incorrectly submitted, to the Auditor of Public Accounts in order to receive, or correct, monthly distributions from the Communications Sales and Use Tax Trust Fund.

cc : Secretary of Finance

Date: 2/13/2009 AM
DLAS File Name HB2607FE161